

VZCZCXRO3704
RR RUEHMA RUEHPA
DE RUEHMA #0647 2320839
ZNR UUUUU ZZH
R 190839Z AUG 08
FM AMEMBASSY MONROVIA
TO RUEHC/SECSTATE WASHDC 0297
INFO RUEHZK/ECOWAS COLLECTIVE

UNCLAS MONROVIA 000647

SENSITIVE
SIPDIS

DEPARTMENT FOR AF/W

E.O. 12598: N/A

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [LI](#)

SUBJECT: LIBERIA: PRESIDENT WAIVES TAXES FOR LOW-SALARIED WORKERS

REF A) MONROVIA 629 REF B) MONROVIA 608

¶1. (U) The GOL announced an Executive Order August 14 that waives income tax for salaried workers earning less than US\$70 a month. The GOL statement explained the action was necessary "to address the increased need to mitigate economic shock and hardship, a consequence of the global increase in the prices of basic and essential commodities, especially food." The waiver is retroactive to July 1, the start of the fiscal year, and expires when the revised Revenue Code, which will codify tax adjustments, eventually takes effect. (Note: The revisions are still being drafted. Treasury OTA will be providing assistance in the coming weeks. End note.)

¶2. (U) Liberia's FY2008-09 budget increased the minimum GOL salary to US\$70 a month (Ref B). This past week, the GOL announced increases in the ceiling price of rice and reductions in the ceiling on petroleum products (Ref A).

¶3. (SBU) Comment: This decree, by indicating that everyone, even the lowest earners, should be filing tax returns, sends a resounding message in a country where "taxpayer" has been assumed to mean "large foreign firm." However, the fiscal impact of the tax waiver is primarily symbolic. It assists only GOL salaried employees earning the exact minimum wage (who do not declare other income they may receive in addition to their official salary). Although there may be non-government salaried employees who earn under US\$70 a month and were paying taxes, they are likely to be few. That said, it is an important step towards moving away from subsidies and price controls towards more economically efficient methods of assisting the poor. The next step is to increase the minimum wage so civil servants earn at least the US\$150-200 a month that seems to be the threshold that would permit an employee to live solely on official income. End comment.

ROBINSON